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JUN 1 1937

U. S. Department of Agriculture

G-69 General Information Series Issued May 1937

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

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WHY UNITED STATES WHEAT FARMERS AND CONSUMERS NEED A STABILIZED WHEAT INDUSTRY

NOTE.—This leaflet is a digest of "Wheat in the United States" (G-68), issued by the Agricultural Adjustment Administration. It has been prepared to give farmers a clear picture of the wheat situation in the United States and in the world, with a rapid review of the events that have affected wheat growers in the past few years. An important reason for publication of "Wheat in the United States" is the widespread interest in applying a crop-insurance plan to wheat, and the possibility that such a program would lead toward increased stability of wheat growers' income. Farmers and others desiring a more detailed discussion can obtain "Wheat in the United States" by writing the Agricultural Adjustment Administration, Washington, D. C.

WHEAT PRODUCTION has long been an important basic industry of the United States. If it is to remain so, wheat growing and marketing must be made more stable.

Wheat played an important part in building the American West. For more than half a century after the passage of the Homestead Act in 1861, settlers moved westward, and wheat production went with them. It seemed an ideal means of establishing themselves in the Great Plains States—Colorado, Kansas, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Oklahoma, Texas, and Wyoming. The wheat acreage these States harvested increased 80-fold, from 433,000 acres in 1870 to 36,000,000 acres in 1920.

The wheat industry was built to fit the world market.

American railroads and other enterprises borrowed much money from foreign investors. The United States repaid these foreign investors largely with farm goods—especially wheat, cotton, and lard.

During the World War, European countries bought more of their food supplies from this country and American farmers plowed up pasture to plant wheat. This abnormal demand continued for some years after the war ended.

From 1860 to 1930 the United States was one of the principal wheat-exporting countries of the world. In 2 of these years this country exported more than half of all the wheat shipped in world trade.

HOW THE UNITED STATES LOST ITS FOREIGN WHEAT MARKET

With enough wheat acres to supply a large share of the world trade, the United States lost nearly all its export markets.

There were two reasons: First, former importing countries grew their own wheat to provide a living for more people on farms and to produce their own food in the event of war. In 1933 Europe grew

about 700,000,000 bushels more wheat than in 1922. Second, while the United States raised its tariffs against manufactured goods of other countries, other wheat-exporting countries were willing to take these in exchange for wheat.

World trade in wheat decreased. The United States' share dropped from 47 percent in 1920 to 5 percent in 1933. But the United States' acreage was not reduced and former exports became domestic surpluses. As surpluses grow, prices drop. In 1932 the United States wheat income was \$195,860,000, about one-ninth of what it had been in 1919.

The wheat problem was attacked first from the marketing angle. The Government encouraged the establishment of large-scale cooperatives. The wheat-pool movement was started after the war and terminal cooperative grain-sales agencies were expanded. These helped, but not enough.

Such measures as the export debenture plan and the McNary-Haugen plan were advocated.

In 1929 the Federal Farm Board was set up under the Agricultural Marketing Act. The act provided for aiding cooperative marketing and for stabilizing operations. Large quantities of wheat were bought and stored. Farmers were urged to cut down their acreage but wheat production was not lessened. There was not enough money to maintain the so-called "pegged" prices and when the stabilization corporation stopped buying, wheat prices dropped again.

ACREAGE ADJUSTED UNDER THE AGRICULTURAL ADJUSTMENT ACT

Under the Agricultural Adjustment Act wheat growers started to adjust their acreage to market requirements. Benefit payments insured them parity price for that portion of their crop needed for domestic human consumption.

Approximately 800,000 farm operators and owners signed adjustment contracts which covered about 78 percent of the average wheat acreage of the country during the period 1928-32.

Wheat production decreased, but largely because of drought. Benefit payments served as a form of crop insurance for farmers who lost their crops and had no wheat to sell.

Throughout the adjustment period, the wheat acreage was kept big enough to provide for this country's needs.

During the entire adjustment period the United States wheat price was kept above the world price level, and wheat seedings were not less than 63,000,000 acres in any year, whereas with average yields 55,000,000 acres will meet domestic requirements.

When a Supreme Court decision invalidated the production-adjustment programs on January 6, 1936, wheat surpluses were practically eliminated, but with normal weather there would be a surplus wheat acreage.

HOW BIG A CROP WILL PRODUCE A SURPLUS?

At present an annual 700,000,000-bushel wheat crop is big enough for the United States. This country needs about 650,000,000 bushels for its own use, providing 500,000,000 bushels for food and commercial feeds and 125,000,000 for feed and seed, and leaving a margin of 25,000,000 bushels. A 700,000,000-bushel crop would leave 50,000,000 bushels for exports, and prospects for exporting more than that in the next few years are not very good.

Sometimes there is enough of one kind of wheat and a shortage of another. In 1935 and 1936 this country had to import durum and hard spring wheat, although there was a surplus of white and soft red wheat.

A few harvests much in excess of 700,000,000 bushels would probably lead back toward surpluses and low prices.

BALANCE BETWEEN WHEAT NEEDS AND WHEAT ACRES

About 73,600,000 acres of wheat were planted in the United States for harvest in 1936. That was the biggest acreage planted in 17 years and the biggest acreage ever planted except one.

The crop from that acreage is estimated at 626,000,000 bushels. Adverse weather conditions kept the yield down to an average of 8.5 bushels an acre. An average yield of 15 bushels an acre on the 1936 acreage would have produced 1,100,000,000 bushels, which would have meant a surplus and low prices.

Wheat farmers need: (1) Stability of income; (2) stability of acreage and yield; (3) stability of supplies.

Stability of supplies is at least as vital to consumers as to producers.

The program in effect under the Soil Conservation and Domestic Allotment Act is helping toward that stability, and other measures to the same end have been proposed.

STABILITY OF INCOME

The wheat grower needs good prices. But good prices mean nothing to the grower who has lost his crop. Benefit payments under the production-adjustment programs in 1933-35 and under the soil-conservation program of 1936 have served in a measure to stabilize and maintain the income of participating wheat growers who lost their crops through drought or other natural causes, and a further crop-insurance plan has been proposed.

Under the suggested plan growers would pay annual premiums in wheat or its cash equivalent, large enough to insure them against heavy crop losses. A crop-insurance corporation would hold the wheat for the insured growers. When yields were less than a given percentage of ordinary production the corporation would return the stored wheat to the producers, giving them wheat to sell in poor crop years. Any advance in price due to poor yields would benefit the grower.

In years of heavy production, the payment of insurance premiums in wheat would provide an additional outlet for wheat, so that it would not have to be forced on an oversupplied market.

STABILITY OF ACREAGE AND YIELDS

Since the World War, planted wheat acreage in the United States has ranged from less than 56,000,000 acres a year to more than 77,000,000.

Growers have learned from experience the disadvantages of planting too much wheat. When growing conditions are poor the cost of putting in a crop takes a large share of the returns. When they are good, a large acreage frequently means surplus and low prices. Growing wheat too continuously depletes the soil, particularly in the Great Plains area where rainfall is scant. A balanced farming

1937

system, with a fairly uniform wheat acreage and a suitable proportion of the land in soil-conserving crops, helps to stabilize yields.

Climatic conditions in much of the milling-wheat area of the United States make uniform yields, from year to year, impossible. But fallowing to conserve moisture, contour listing to prevent erosion, strip cropping, and forage growing are among the practices that help toward stable yields.

Under the soil-conservation program farmers receive grants that help them follow these practices.

STABILITY OF SUPPLIES

Even if acreage is kept uniform, growing conditions are variable; the wheat crop will be too large in some years and too small in others.

It has been suggested that surpluses from bumper crops be carried over into lean years. Reserves of wheat were purchased by the Federal Farm Board a few years ago, but production was not controlled, and growers kept on producing more and more wheat until prices were driven down.

On the other hand, if the planted acreage were kept low enough each year to prevent surplus production that year, supplies of milling wheat especially might be too small when growing conditions were poor. In the Great Plains area, where most of the milling wheat is grown, yields vary more than they do in any other part of the United States.

The ever-normal granary has been suggested as a means of stabilizing supplies. Its essential features are: Building up wheat reserves in good years; keeping the reserves out of trade channels to prevent them from depressing prices; and linking the plan with acreage control so that higher prices will not encourage undue increases in acreage.

FORMING A POLICY ON WHEAT

Working with the Federal Government, wheat growers are forming a national policy and program to guard them against crop failure and price collapse. The problem must be attacked from many angles.

Continuing the present soil-conservation program, perhaps including a wheat base, will help to stabilize acreage. More soil-building practices and more soil-conserving crops will make yields more stable.

Loans and an ever-normal granary plan, would tend to prevent drastic price declines in surplus years; help to protect consumers against shortages; and protect producers against loss of income when crops failed.

A crop-insurance plan would help to stabilize growers' incomes.

Possibly more effective supply control would be needed if burdensome surpluses threatened price collapse.

The Federal Government can help growers to formulate a policy and organize to carry it out. But successful functioning of community and county wheat growers' associations is required to put this program to work on individual farms.